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SUBJECT: Money Laundering Panamanian Style

SUMMARY

[¶](#)1. (SBU) Acting jointly, DEA and several Latin American authorities knocked out a sophisticated multi-national drug cartel that smuggled tons of cocaine on a monthly to the U.S. Drug lord Pablo Rayo Montano was arrested on May 16 in Brazil. Authorities have seized millions of dollars in assets and cash and arrested over 100 of his collaborators. In Panama, a long list of cartel assets is now under Public Ministry control. Using his real name, Rayo Montano became a legal resident in Panama. What he could get away with and how local authorities continually turned a blind eye to his suspicious activities is a cautionary take for law enforcement in Panama. End summary.

Background

[¶](#)2. (SBU) On Tuesday, May 16 DEA announced the results of Operation Twin Oceans, a multi-jurisdictional investigation that targeted and effectively dismantled the Pablo RAYO-Montano drug trafficking organization. Rayo Montano, a Colombian citizen, ran a cocaine ring that smuggled more than 15 tons of cocaine per month from Colombia to the U.S. and Europe. The Brazilian Federal Police, Panamanian Judicial Police, Colombian National Police, and DEA spearheaded an international coalition responsible for putting the cartel out of business. Rayo-Montano was apprehended in Sao Paulo, Brazil on May 16. The investigation took three years and resulted in over 100 arrests in Panama, Colombia, Venezuela, Costa Rica, the U.S. and Ecuador. Fifteen people were arrested in Panama: eleven Colombians and four Panamanians. Overall, authorities seized almost 52 tons of cocaine and nearly US\$70 million in assets in six countries.

Pablo Joaquin Rayo Montano

[¶](#)3. (SBU) Rayo Montano is a 46-year old Afro-Colombian who first arrived in Panama in 1996, but according to immigration records settled in Panama in 1999. Rayo Montano always used his real name in Panama. After 2002 and 2003 hits against his operations in Panama by local authorities and DEA, Rayo Montano moved to Brazil. In 1999, Panamanian immigration authorities issued Rayo Montano a "technician" visa. Immigration records show that in 2000, Rayo Montano got an "investor's visa", and in 2002

Rayo Montano received his Panamanian "cedula" (i.d. card) giving him the status of a legal resident of Panama. Despite being mandatory, Rayo Montano's cedula did not show his place of birth. The cedula has now being cancelled by current authorities.

Properties in Panama

¶4. (SBU) Through third parties in Panama, Rayo Montano owned a long list of assets. Many of his properties were on the Atlantic coast, including three inhabited islands --Las Tres Marias ("The three Marys") that his group used to refuel boats and to hide; several hectares of beach-front land; three beach houses in another island; and a restaurant, which had been visited throughout the years by Embassy officers on their way to Isla Grande, a local tourist destination.

¶5. (SBU) Rayo Montano's properties in the rest of the country included three apartments in the historical Casco Viejo area, just a few blocks away from Panama's presidency; a small hotel; an art gallery; a house in the old Canal zone area, where he and his family lived before moving to Brazil, two large fishing supplies stores ("Nautipesca"); a yacht named after his daughter Isa Pilar; two beach-front homes on the Pacific, and fishing stores in the western province of Chiriqui. Authorities also seized thirty-nine bank accounts; eight boats; thirty-four vehicles; and over US \$300,000 in cash.

"A la Panamena" (Panamanian style)

¶6. (SBU) Despite Rayo Montano's large operations in Panama and the amount of wealth and property he and his people controlled no Panamanian ever reported any suspicion about Rayo Montano's activities to the authorities. This can be taken as a sign of how complacent Panamanian society is and how easily things can be done in Panama. It also confirms public corruption. To pick just a few glaring discrepancies:

-- Just one year after Rayo Montano is granted a "technician" visa, he qualifies for an "investor's" visa without raising suspicion. How often does a technician become an investor in Panama?

-- Immigration authorities granted a resident's cedula to Rayo Montano that did not state his place of birth which is mandatory. Probably no other cedula in Panama fails to state place of birth.

-- Current National Maritime Director Ricardo Traad lives in the same Casco Viejo building where Rayo Montano owned three apartments. Traad publicly claimed not to know of Rayo Montano's properties in the building. Considering that Rayo Montano paid US \$200,000 for each apartment in the relatively small building, it is difficult to believe Traad was not aware of who else was investing in his building. Are these apartments really worth US \$200,000 each in that neighborhood?

-- Rayo Montano paid US \$150,000 for a run-down restaurant ("Los Canones") near Isla Grande on the Atlantic coast. Its small marina was attractive to the cartel;

-- Two-term former Revolutionary Democratic Party (PRD) legislator Abelardo Antonio sold land in Portobello, Colon to Rayo Montano's group. Then-mayor and current PRD legislator Nelson Jackson Palma approved the transaction. Following the pattern, chances are that Rayo Montano also overpaid. Could these individuals, both natives of Colon and well-acquainted with its population, fail to be aware or suspicious of Rayo Montano's operations?

-- How did this "unknown" group of foreigners was able to obtain a special government concession to control three islands? Authorities are investigating who in the Ministry of Economy and Finance approved it.

-- Why did no one question that Nautipesca, Rayo Montano's fishing supply store, was able to sponsor fishing tournaments with US \$300,000 in prize money?

COMMENT

17. (SBU) Rayo Montano's case is one example of what drug and weapon smugglers, money launderers and many other criminals can achieve in Panama when money is no object. "No questions asked" seems to be the rule. Businessmen, lawyers, bankers, and public servants of all levels are willing "to help," for the right price. How many Rayo Montanos are out there?

Arreaga